

# **CORRECTED FISCAL NOTE**

## **HB 1499 - SB 1936**

April 17, 2007

**SUMMARY OF BILL:** Requires a person to show evidence of compliance with the Financial Responsibility Law in order to register a motor vehicle in the state. Requires insurers to notify the Department of Revenue and the insured immediately of the cancellation or termination of a motor vehicle insurance policy where no replacement policy is issued that the vehicle no longer meets the requirements of the Financial Responsibility Law and that the registration will automatically terminate in fifteen calendar days from the date of notice unless the requirements are met. Requires the Department similarly notify individuals upon withdrawal of any cash deposit or bond that was used to satisfy the requirements of the Financial Responsibility Law. Requires the Department to notify individuals of the termination of their vehicle's registration. Specifies that insurers not providing the required notification shall remain liable to the extent of the original policy for any accident.

### **ESTIMATED FISCAL IMPACT:**

On March 13, 2007 we issued a fiscal note that, in the summary and the assumptions, indicated an increase in state expenditures would be realized by the Department of Safety. This is incorrect. In Executive Order 36, the Governor transferred titling and registration responsibilities from the Department of Safety to the Department of Revenue. Additionally, the Department of Correction has provided information relative to incarceration costs. Therefore, the fiscal impact is:

#### **(CORRECTED)**

**Increase State Expenditures – Exceeds \$800,000 Recurring  
Exceeds \$900,000 One-Time  
\$19,800/Incarceration\***

**Increase State Revenues - Net Impact - Exceeds \$8,000,000**

**Decrease Local Govt. Revenues – Net Impact - Exceeds \$8,000,000**

**Increase Local Govt. Expenditures – Exceeds \$100,000\*\***

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(CORRECTED)**

Assumptions:

- A recurring and one-time increase in state expenditures for 20 positions and related operational expenses in the Department of Revenue to handle notifications, phone inquiries, and other administrative tasks.
- A one-time increase in state expenditures for computer system changes.
- One person per year will be convicted of a Class C felony for certain violations of the provisions of this bill.
- According to the Department of Correction, the average operating cost per inmate per day for calendar year 2007 is \$60.16. The total annual cost for one offender is \$19,776.99 (\$60.16 x 328.74 days).
- No significant increase in incarceration costs will occur due to population growth.
- At least 10% of the 4,900,000 currently registered motor vehicles are driven by uninsured motorists and approximately 75% of these will not be able to maintain their registrations resulting in a decrease in state revenues from motor vehicle registration fees of approximately \$7,900,000.
- An increase in state revenues of approximately \$13,200,000 from the collection of reinstatement fees.
- An increase in state revenues exceeding \$3,000,000 from insurance premium taxes paid as more than 490,000 motorists that currently do not have motor vehicle insurance obtain such insurance to maintain their registrations.
- An increase in local government expenditures estimated to exceed \$100,000 statewide for the cost to county clerks to process registrations with proof of financial responsibility, mail back registrations not properly submitted, verification of financial responsibility, and a possible increase in in-person registrations.
- A decrease in local government revenues from registrations and renewals and wheel taxes lost when individuals are not eligible to register or renew their vehicles. This decrease is estimated to exceed \$10,000,000 statewide.
- An increase in local government revenues and expenditures to prosecute and collect misdemeanor fines for certain violations of the provisions of this bill. Approximately 10% of those without insurance will be convicted and pay fines. The collection of fines is estimated to exceed \$2,000,000.

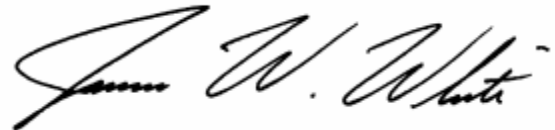
*\*Section 9-4-210, TCA, requires that: For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated from recurring revenues shall be based upon the highest cost of*

*the next 10 years, beginning with the year the additional sentence to be served impacts the correctional facilities population.*

*\*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director